



# Audit Summary

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## State of Rhode Island Single Audit Report Fiscal Year Ended June 30, 2019

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2019. The **Single Audit Report** includes findings and recommendations related to the State's key operations and the administration of federal programs.

The Single Audit Report includes the State's financial statements (and our Independent Auditor's Report thereon) which were previously communicated in the State's Fiscal 2019 Comprehensive Annual Financial Report.

The Single Audit is required by federal law and regulation as a condition of continued federal assistance. The report also includes a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating to financial reporting and the administration of federal programs.

Federal funding represents approximately 40% of the State's General Fund expenditures and is the State's second largest revenue source. The graph below depicts the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2010 to 2019. The general decrease in aggregate federal funding in years 2010 through 2014 is largely due to the phase-out of federal stimulus funding (American Recovery and Reinvestment Act) which began in fiscal year 2009 but resulted in significant expenditures in 2010 and 2011. In fiscal 2019, the decrease in total expenditures of federal awards largely resulted from the return of federally guaranteed student loans to the federal government.

Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food

commodities). Federal assistance is received under a wide variety of more than 450 individual programs. Many programs are jointly financed with federal and state funding. Medicaid is the single largest program with fiscal 2019 expenditures totaling approximately \$2.9 billion - the federal government shared \$1.7 billion of that cost.

### Financial Statement Findings

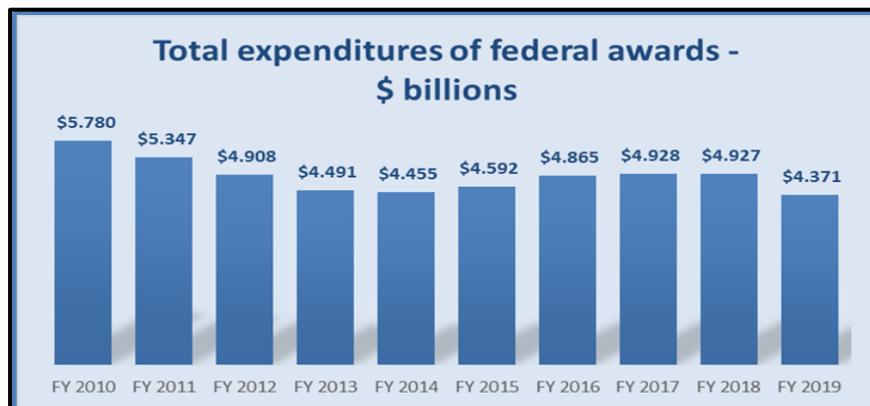
Weaknesses identified in the State's internal control over financial reporting, result from our annual audit of the State's financial statements for the year ended June 30, 2019. The State's management has responsibility for, and maintains internal control over, financial reporting. *Government Auditing Standards* require that we communicate deficiencies in internal control over financial reporting based on our audit.

We previously communicated (in a separate report released in March 2020) 36 findings related to the State's controls over financial reporting. These findings addressed issues such as the State's need to complete a strategic plan to coordinate needed enhancements to its key statewide financial and administrative systems, accounting for Medicaid program financial activity, assessing information technology risks, and identifying the resources needed to effectively manage and administer the OPEB (retiree healthcare) System. Those financial statement related findings are also included in the Single Audit Report as required by federal regulation.

A link to that separate report, which also includes 14 management comments, (not included in the single audit report) is shown below:

[www.oag.ri.gov/reports/2019\\_FinStmt\\_FindingsMC.pdf](http://www.oag.ri.gov/reports/2019_FinStmt_FindingsMC.pdf)

The State's management has implemented corrective action on some findings previously reported. Incremental progress is noted in our findings when recommendations have not been fully implemented but corrective actions are underway.



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## Federal Program Findings

Consistent with federal guidelines, we tested 69% of the total expenditures of federal awards as major programs following risk-based criteria established in the federal Uniform Guidance. Major program expenditures are summarized in the chart below.

2019 Major Programs
Supplemental Nutrition Assistance Program (SNAP) Cluster
Mortgage Insurance Homes
Section 8 Project-Based Cluster
Community Development Block Grants/State's Program (CDBG)
Housing Vouchers Cluster
Unemployment Insurance
Federal Transit Cluster
Veterans State Nursing Home Care
Performance Partnership Grants
Title I Grants to Local Education Agencies
Supporting Effective Instruction State Grants
Immunization Cooperative Grants
Temporary Assistance to Needy Families (TANF) Cluster
Low-Income Home Energy Assistance Program (LIHEAP)
Child Care and Development Fund (CCDF) Cluster
Children's Health Insurance Program (CHIP)
Medicaid Cluster

The RIBridges system is used to administer several federal programs including Medicaid, CHIP, TANF, SNAP, and CCDF programs/clusters. While improved in fiscal 2019, the system continued to negatively impact federal program compliance for these programs.

Controls within RIBridges are inadequate to ensure that user access is limited to only authorized individuals and such access is consistent with each user's specific scope of duties. Additionally, automated password change controls were not operational, and therefore, users were not required to change passwords at required intervals.

The State must enhance security oversight over systems used to administer multiple federally funded programs to fully comply with federal regulations. The plan must be sufficiently comprehensive and include timely reaction to and consideration of identified security issues and risk factors.

**Medicaid and Children's Health Insurance Programs** – The State did not comply with Medicaid and CHIP eligibility requirements during fiscal 2019 due to control deficiencies and inconsistent case documentation in RIBridges.

Data discrepancies between the systems used to determine Medicaid and CHIP eligibility (RIBridges) and the claims/capitation payment system (MMIS) continued to negatively impact controls to ensure that payments were made only on behalf of eligible individuals during fiscal 2019.

The effectiveness of the Medicaid Eligibility Quality Control (MEQC) program is diminished by the continued RIBridges functional limitations and limited staffing allocated to this activity.

Processing Medicaid applications for long-term care services in RIBridges results in significant delays in determining eligibility and necessitating advances to long-term care service providers.

The Executive Office of Health and Human Services (EOHHS) lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its managed care organizations (MCOs) which represent nearly 60% of Medicaid benefit expenditures. More stringent audit and financial monitoring procedures should be employed.

EOHHS needs to reassess all activities considered surveillance utilization review services performed within the Medicaid program to comply with federal regulations and amend the State Plan to accurately reflect the State's current practices.

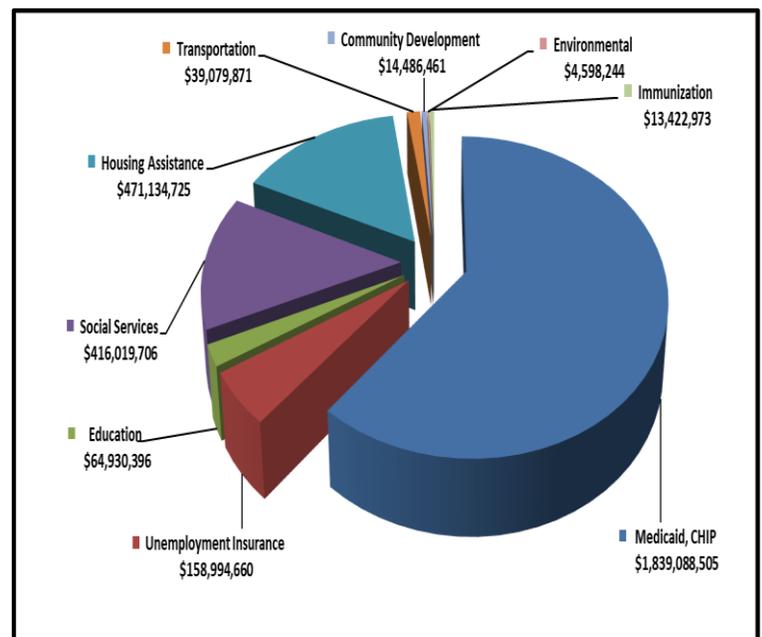
The State is not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in MCO networks.

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) administration costs were allocated to the Medicaid program through a departmental cost allocation plan that was not federally approved.

Improvements in policies and procedures related to Medicaid claiming for patients at Eleanor Slater Hospital are needed to ensure compliance with federal requirements.

The Department of Children, Youth and Families (DCYF) did not utilize updated residential time study results when allocating payments for residential placements to Medicaid.

**Fiscal 2019 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type**



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**TANF** – The State did not comply with TANF eligibility requirements during fiscal 2019 due to control deficiencies and inconsistent case documentation in RIBridges.

The Department of Human Services (DHS) can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

The State did not comply with the Income Eligibility and Verification System requirements in fiscal 2019. RIBridges does not currently meet that required functionality.

**SNAP** – The RIBridges eligibility system does not currently meet all the functional requirements of an automated data processing system as outlined in federal SNAP regulations. The system is also not producing reports to allow daily reconciliation of electronic benefits authorized and disbursed and to ensure accurate and timely completion of federal reports.

**CCDF** – The RIBridges eligibility system lacked effective income validation controls during fiscal 2019 which impacted program eligibility determinations and the amount of required parent cost-sharing amounts.

**LIHEAP** – DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with LIHEAP laws and regulations. DHS must enhance controls regarding the allocation of expenditures to multiple available grant awards/periods to ensure compliance with earmarking, period of performance and reporting compliance requirements for LIHEAP.

**Unemployment Insurance** – The Department of Labor and Training (DLT) did not make the necessary changes to its system to allow for the imposition of penalties on overpayments due to fraud, and to prohibit relief from charges to an employer’s Unemployment Compensation account when the overpayment was the result of the employer’s failure

to respond timely or adequately to a request for information.

**Community Development Block Grant** – Tracking and monitoring of locally-held program income generated by CDBG activities should be enhanced by the Office of Housing and Community Development (OHCD). OHCD should improve procedures to ensure federal reports are retained and adequately supported by underlying records.

**Performance Partnership Grants** – The Department of Environmental Management (DEM) can enhance controls over time and effort reporting to ensure payroll cost allocations and reimbursements for the Performance Partnership Grants are adequately supported.

**Federal Transit Cluster** – The Rhode Island Department of Transportation (RIDOT) subrecipient monitoring procedures need to be enhanced to ensure (1) that funds are used by subrecipients in compliance with FTA program laws and regulations and (2) contracts with vendors and subrecipients comply with State procurement regulations and FTA program laws and regulations.

A *Corrective Action Plan* (Section E), prepared by the State’s management, is included in the report, which describes planned corrective actions and a timetable for implementation.

A *Summary Schedule of Prior Audit Findings* (Section F) is also included which reports the status of findings from prior audits.

The State’s Single Audit Report was submitted to a federal clearinghouse for such reports – this data is then made available to all federal funding agencies.

The report is available on the Office of the Auditor General’s website [www.oag.ri.gov](http://www.oag.ri.gov) or by calling the office at 401.222.2435.

Summary of findings included in the 2019 Single Audit Report			
	Primary government	Component units	Total
<b>Findings related to the financial statements</b>			
Material weaknesses in internal control	6	2	8
Significant deficiencies in internal control	26	1	27
Material noncompliance		1	1
<b>Findings related to the administration of federal programs</b>			
Material noncompliance / material weakness in internal control	9		9
Material weaknesses in internal control	11		11
Significant deficiencies in internal control	11		11
Noncompliance / significant deficiency in internal control	1		1
<b>Total</b>	<b>64</b>	<b>4</b>	<b>68</b>